

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") have been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited and is in compliance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the condensed consolidated cash flow statement as the Company has taken advantage of the transitional provision set out in the Listing Rules.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June, 2000.

2. Turnover

An analysis of the Group's turnover and contribution to operating profit for the period by principal activity and geographical location of operations are as follows:

	Turnover		Contribution to Profit from operations	
	1st July, 2000 to 31st December, 2000 HK\$'000	1st July, 1999 to 31st December, 1999 HK\$'000	1st July, 2000 to 31st December, 2000 HK\$'000	1st July, 1999 to 31st December, 1999 HK\$'000
Principal activities				
Designing, manufacturing, marketing and trading of fine jewellery and diamonds	462,613	427,696	35,241	28,311
Others	4,291	—	(5,351)	4,017
	<u>466,904</u>	<u>427,696</u>	<u>29,890</u>	<u>32,328</u>
Principal geographical location of operations				
Hong Kong	409,736	305,001	32,513	26,119
North America	11,122	73,929	143	3,684
Europe	46,046	48,766	871	1,984
Others	—	—	(3,637)	541
	<u>466,904</u>	<u>427,696</u>	<u>29,890</u>	<u>32,328</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

3. Profit from operations

Profit from operations is stated after creating and charging the following:

	Six months ended 31st December,	
	2000	1999
	HK\$'000	HK\$'000
<u>Crediting</u>		
Realized and unrealized gains on other investments	<u>612</u>	<u>8,398</u>
<u>Charging</u>		
Depreciation of fixed assets	1,399	1,371
Operating leases — land and buildings	1,725	2,163
Provision for bad and doubtful debts	1,081	1,655
Pre-operating expenditure written off	2,420	719
Loss on disposal of a subsidiary	<u>4,642</u>	<u>—</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31st December,	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong profits tax	2,992	3,403
Overseas taxation	<u>233</u>	<u>384</u>
	<u>3,225</u>	<u>3,787</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

5. Dividends

	Six months ended 31st December,	
	2000	1999
	HK\$'000	HK\$'000
Interim, proposed, of HK\$0.01 (1999: HK\$0.01) per ordinary share	<u>2,762</u>	<u>2,552</u>
	<u><u>2,762</u></u>	<u><u>2,552</u></u>

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$26,669,000 (1999: HK\$28,369,000) and the weighted average number of 257,352,500 (1999: 253,005,000) ordinary shares in issue during the year.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st December, 2000 and 1999.

7. Trade and other receivables

Included in trade and other receivables are trade debtors and their ageing analysis is as follows:

	0-60 days HK'000	61-90 days HK'000	Over 90 days HK'000	Total HK'000
Balance at 31st December, 2000	<u>198,182</u>	<u>19,662</u>	<u>20,812</u>	<u>238,656</u>
Balance at 30th June, 2000	<u>152,710</u>	<u>14,699</u>	<u>14,466</u>	<u>181,875</u>

The Group allows an average credit period of 90 days to its trade customers.

8. Trade and other payables

Included in trade and other payables are trade payable and their ageing analysis is as follows:

	0-60 days HK'000	61-90 days HK'000	Over 90 days HK'000	Total HK'000
Balance at 31st December, 2000	<u>116,734</u>	<u>5,923</u>	<u>877</u>	<u>123,534</u>
Balance at 30th June, 2000	<u>100,018</u>	<u>19,312</u>	<u>493</u>	<u>119,823</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

9. Bank loans and overdrafts

At 31st December, 2000, the Group's bank loans and overdraft as follows:

	31st December, 2000 HK\$'000	30th June, 2000 HK\$'000
Secured (<i>note(a) and (b)</i>)	<u>23,707</u>	<u>8,991</u>

(a) These bank loans and overdrafts are secured by first legal charges over investment properties, certain leasehold land and buildings and the property under development of the Group and share mortgage of a subsidiary.

(b) The Company has provided corporate guarantees of HK\$169,000,000 (30th June, 2000: HK\$169,000,000) for general banking facilities granted to certain subsidiaries.

10. Long-term liabilities

	31st December, 2000 HK\$'000	30th June, 2000 HK\$'000
Loans from minority shareholders	<u>1,872</u>	<u>1,872</u>

Loans from minority shareholders of certain subsidiaries were made to finance the long-term investments of those subsidiaries. These loans are unsecured, interest-free and not repayable within the next year.

11. Share capital

	Authorized Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Ordinary share of HK\$0.10 each	<u>3,500,000,000</u>	<u>350,000</u>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 30th June, 2000	<u>257,352,500</u>	<u>25,735</u>
At 31st December, 2000	<u>257,352,500</u>	<u>25,735</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

12. Reserves

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Revaluation reserve investment properties HK\$'000	Retained profits HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000
At 1st July, 2000	146,072	273,606	2,319	100,719	1,189	523,905
Realization upon disposal of a foreign subsidiary	—	—	—	—	891	891
Goodwill written off	—	—	—	(15,326)	—	(15,326)
Currency realignment on transaction of foreign subsidiaries and associated company	—	—	—	—	(44)	(44)
Profit for the year retained	—	—	—	26,669	—	26,669
Dividends (Note 5)	—	—	—	(2,762)	—	(2,762)
	<u>146,072</u>	<u>273,606</u>	<u>2,319</u>	<u>109,300</u>	<u>2,036</u>	<u>533,333</u>
At 31st December, 2000	<u>146,072</u>	<u>273,606</u>	<u>2,319</u>	<u>109,300</u>	<u>2,036</u>	<u>533,333</u>

13. Commitments

(a) Capital commitments for property under development

	31st December, 2000 HK\$'000	30th June, 2000 HK\$'000
Contracted but not provided for	<u>2,618</u>	<u>4,173</u>

(b) Commitments under operating leases

At 31st December, 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	31st December, 2000 HK\$'000	30th June, 2000 HK\$'000
Within one year	1,857	295
In the second to fifth year inclusive	—	4,097
After the fifth year	—	205
	<u>1,857</u>	<u>4,597</u>

NOTES TO CONDENSED INTERIM ACCOUNTS (continued)

14. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Six months ended 31st December,	
	2000	1999
	HK\$'000	HK\$'000
Subcontracting fees paid and payable to associated companies	<u>5,845</u>	<u>5,486</u>

15. Subsequent events

Pursuant to a conditional agreement dated 22nd January, 2001 entered into by the Group and independent parties, the Group acquired 36% of the entire issued share capital of, and the benefit of the shareholders' debt to, Jestar Trading Limited. The consideration of HK\$12,210,000 was settled by the issuance of 18,842,593 new shares in the Company of HK\$0.10 each.

On the same day, the Group entered into a conditional agreement to acquire a 3-storey building PRC property from with an independent third party. The consideration of RMB2,500,000 (HK\$2,336,000) will be settled by the issuance of 3,604,938 new shares of the Company of HK\$0.10 each.

Details of these transactions were set out in a press announcement of the Company on 29th January, 2001.